

**Work Session
March 9, 2004**

The Montgomery County Board of Commissioners met in a work session on Tuesday, March 9, 2004 at 4:00 p.m. in the Montgomery County Commissioners conference room. *Chairman Maness called the meeting to order and the following was heard:*

Presentation of the Jail Financing Study Results – Mr. Dennie Martin

Mr. Martin from Martin of Martin-McGill presented the following jail financing study:

INTRODUCTION

We have examined the present expenditures within the County's Jail and Sheriff budgets, analyzed the expected change in the number of housed prisoners when the jail expands, and projected the financial impact these changes would have on the County and its ad valorem tax rate utilizing a prisoner revenue model and financial analysis developed for the Montgomery County program.

In the preparation of this study, certain assumptions have been made with respect to conditions that may occur in the future. While these assumptions are reasonable for the purposes of this study, they are dependent upon future events and actual conditions may differ from those assumed. In addition, information has been used and relied upon which has been provided by others. This information includes, among other things, audited financial statements, annual operating budgets, Year-To-Date expenditure reports, and housing & transportation information. While this information is deemed reliable, the information has not been independently verified and no assurances are offered with respect thereto. To the extent that actual future conditions differ from those assumed herein or provided by others, the actual results may differ from those forecasted.

FINANCIAL ANALYSIS

In conducting the financial analysis, we gathered the County's audited financial statements for FY 2002 and 2003 along with the budget and Year-to-Date figures for FY 2004. Capital outlays were separated to ensure the figures used for projections were consistent with prior years. Historical trends for each of the line items were analyzed to anticipate how each expenditure and revenue would change over the next ten years. After calculating the per capita growth trends, we projected that salaries and benefits for each worker would increase by 5%, medical care for prisoners would increase by 4%, and supplies/materials for the jail would increase by 3%. No new expenses are expected to occur after the expansion.

For this planning effort, we also reviewed plans by Freeman White Justice and Ware Bonsall Architects for ending the transportation of Montgomery County prisoners, and housing prisoners from adjacent counties, along with current jail population observations. The following table shows how an expansion affects incremental revenues and expenditures in the first full year of operations, FY 2008.

**MONTGOMERY COUNTY JAIL EXPANSION
FROM FY 2006 TO FY 2008
INCREMENTAL REVENUES AND EXPENDITURES**

TABLE 1

**YEAR 4
2008**

INCREMENTAL REVENUES

CELL RENTALS	213,069
TOTAL INCREMENTAL REVENUES	213,069

INCREMENTAL EXPENDITURES

HOUSING

DEBT SERVICE-NEW JAIL	547,670
FOOD AND PROVISIONS LESS REMOTE HOUSING	77,227
REMOTE HOUSING	(63,133)
MEDICAL CARE	45,675
SUPPLIES AND MATERIALS	13,603

PERSONNEL

SALARIES AND BENEFITS (3 NEW POSITIONS)	142,574
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TRANSPORTATION

TRANSPORTATION	(18,676)
VEHICLE FUEL	(4,783)
VEHICLE DEPRECIATION	(5,000)
VEHICLE REPAIRS	(1,139)

TOTAL INCREMENTAL EXPENDITURES	734,018
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PROJECTED RETURN	(520,949)
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Details about prisoner housing and transportation are described below:

1. There are expenses outside of the jail budget that relate to jail operations. A Sheriff's department vehicle is used for prisoner transportation and the related expenditures in the Sheriff's budget include Vehicle Fuel, Vehicle Repairs, and Depreciation.
2. The average daily cost of housing a prisoner in Montgomery County's present facility for FY 2004 is expected to be \$39.
3. The average daily charge for remotely housing a prisoner at an adjacent county is \$55 per day. When adding the related sheriff's department annual costs of \$7,600, the total daily cost to remotely house a prisoner is \$70.
4. The following are assumptions about prisoner transportation in FY 2004:

Remotely housed prisoner days	504
Prisoner transports	300
Prisoner transportation mileage	48,000

We have assumed that the expansion of Montgomery County's jail is expected to begin during FY 2005 with additional cells becoming available midway through FY 2007. The following are the primary considerations for the expansion:

1. Schedule assumptions:

March 2004	Proceed
September 2004	Design
December 2004	Permitting
January 2005	Financing and start construction
October 2006	Completion

December 2006 Opening

2. The present jail capacity is 40 persons, or 14,600 man-days. The proposed jail capacity is 100 persons, or 36,500 man-days.
3. Montgomery County jail will be reimbursed by the lessees for the medical expenses of prisoners from other counties.
4. Three new prison employees will be required after the expansion. Their salaries and benefits will be similar to those of the existing employees.
5. The average number of Montgomery County prisoners who are housed in the jail and not remotely housed will increase from 40 to 60 or 14,600 man days to 21,900 man days by FY 2008 due to the following factors:
 - a. A return of the remotely housed prisoners, yielding a FY 2007 average of four new prisoners per day.
 - b. Less leniency in the courts due to new space becoming available, yielding a FY 2007 average of 16 new prisoners per day.
6. The occupancy rate of Montgomery County prisoners will annually increase by 2% causing the capacity for housing outside prisoners to annually decline from 40 in FY 2008 to 32 per day by FY 2014, as shown in Table 2.
7. The financing of the courthouse renovation is not considered in this analysis.

FINANCING ALTERNATIVES

The analysis assumes that funds will be acquired by borrowing capital. There are four viable ways to borrow the funds:

	<u>Present Rate</u>	<u>Years</u>	<u>Issuance Costs</u>	<u>Interest Costs</u>	<u>Total Costs</u>
1. Rural Development-USDA	4.50%	38	\$15,000	\$5,134,000	\$5,149,000
2. Certificates of Participation (COPS)	4.85%	20	\$70,000	\$2,946,000	\$3,016,000
3. General Obligation (GO) bonds	4.55%	20	\$70,000	\$2,764,000	\$2,834,000
4. 160A-20	3.80%	15	\$35,000	\$1,745,000	\$1,780,000

General Obligation bonds and Rural Development-USDA financing require a referendum prior to issuance. GO bonds and COPS have high issuance costs. 160A-20 financing has neither disadvantage and instead offers low interest rates and fees in the present market. Considering these factors, the assumed method to finance the jail improvements totaling \$5.93 million is the use of 160A-20 financing for 15 years. Assuming a January 2005 interest rate of 4.5% and no reserve contribution from the general fund, the required annual debt service payments will be \$547,700. When including this debt package into the financial analysis, we concluded that incremental expenditures would exceed revenues by \$520,900 in FY 2008, the first full year after expansion using current ad valorem tax allocations. As shown in Table 1, jail expansion yields a savings of \$29,600 in transportation expenses and \$63,100 in remote housing expenses during FY 2007. However, new housing and personnel expenses related to the expansion, including the above mentioned debt service, total \$826,749, as shown below. The projected new revenue from housing other county prisoners is \$213,100.

MONTGOMERY COUNTY JAIL EXPANSION FY 2008 NEW EXPENSES AND DEBT

Housing	\$ 77,227
Medical Care	\$ 45,675
Supplies	\$ 13,603
Personnel	\$ 142,574
<u>Debt Service</u>	<u>\$ 547,670</u>
TOTAL	\$ 826,749

As discussed next, proposed ad valorem tax increases over the next ten years are high enough to yield feasible operations for the jail budget yet are not so high as to create excessive cumulative balances. Expenditures exceed

revenues by an annual average of \$88,500 over the next ten years when considering an annual capital outlay that increases from \$1000 in FY 2005 to \$2000 by FY 2014, as shown in Table 3.

RECOMMENDATIONS

As a result of our analysis, we have modeled the following ad valorem tax increases. These increases would apply to all taxable property and would be allocated to a reserve fund to handle the positive and negative cash flow over the next ten years. These three increases can be arranged in time to minimize the impact to tax payers, as shown below:

- \$0.02 increase in FY 2005.
- \$0.01 increase in FY 2006.
- \$0.01 increase in FY 2007.

An alternative to the above tax increases is the dedication of the total \$0.04 increase for the next reassessment to achieve income averaging.

CONCLUSIONS

The following are the conclusions about the jail expansion:

1. An expansion of the jail will allow the County to borrow funds at historically low interest rates and address the issue of overcrowding.
2. The old jail facility would also become available, once renovated, for use by local organizations that need space.
3. Without an expansion to the jail, overcrowding would likely increase over time and a costly smoke evacuation system would need to be installed to satisfy legal requirements.
4. The cost of constructing a jail in the future will probably be higher than current costs due to inflation.

An expansion to the jail will require an increase in property taxes but a delayed expansion over several years will require even higher tax increases.

Chairman Maness asked if the rates are fixed. Mr. Martin said yes.

Commissioner Bostic asked if he looked into lease purchasing? Mr. Martin said he has been involved with that before where it has been attempted. He said it is hard to do a lease purchase with the North Carolina General Statutes on a facility of this magnitude. Commissioner Bostic also asked about the straight lease (i.e. the Post office). Mr. Martin said that will cost more and generally you don't come out ahead.

Commissioner Corbett asked if private parties have built a jail before? Mr. Martin said there are three and they have been taken over, their experience was a bad one. He offered to contact the LGC and have them speak to the board.

Commissioner Corbett said you are assuming that taxes can't be cut?

Mr. Martin explained two things in assuming capital costs: total # of cells required and cost of the cells.

Commissioner Corbett asked if video equipment is included in the financing? Mr. Martin said it does include furnishings.

Commissioner Bostic asked if feeding the inmate was included in the financing? The sheriff said we will still purchase from the state. He explained there will be no kitchen. Mr. Martin said it is the same arrangement.

Commissioner Corbett said this would free up 3rd Floor of the courthouse. Chairman Maness said we need to include the renovation of the courthouse with the construction of the jail. Mr. Martin said that wasn't in this study. That was \$700,000. Chairman Maness said it will probably be more than that now. Mr. Matthews said that was a construction bid 2 ½ years ago.

Chairman Maness asked about grants. Where do we start? Mr. Martin said the last several years he hasn't seen any grant money. He said I have seen a lot of success in the 11th District.

Commissioner Bostic said when we first started there was some start up money, has it dried up? The Sheriff said that offer came and went.

Mr. Martin said since the fire at the Mitchell County Jail jails have to be built to different standards. There are more requirements.

Chairman Maness asked about the tax rates. He asked Mr. Martin if he took the revaluation into consideration? Mr. Martin said this study is based on the current year.

Chairman Maness said I am sure that Mr. Matthews will be working this through the budget. Mr. Martin said I will be pleased to help with any work items you need or if there is anything else I can do for you, let me know.

Chairman Maness said I think everyone agrees that we are going to have to do something. Mr. Martin said a lot of communities are in the same situation you are. Chairman Maness said now is the time because interest rates are so low. Mr. Martin agreed.

Discussion of Lake Tillery Fire District Boundary with Mr. Chet Hill from the Office of the State Fire Marshall.

Mr. Matthews explained that Mr. Hill was present because of concerns that were raised at the last meeting. Mr. Matthews turned the meeting over to Mr. Hill. Lake Tillery currently has a 9S rating. They are trying to get that lowered. Mr. Hill also explained that the county already has its response and fire district established. The department is trying to get their insurance district established so folks within five miles will get a reduced insurance rate. He said a fire district and an insurance district are different.

Chairman Maness asked if it is a five mile radius? Mr. Hill said no. The insurance district would be five miles in all directions from the station that you would drive a fire apparatus. He said the districts represent a polygon shape.

Chairman Maness said what we are being asked to vote on is the insurance district. Mr. Hill said yes. Mr. Maness said if we vote the rate will be reduced . . . Mr. Hill said this will establish the 9S, once it is in place, then the houses can be looked at. Chairman Maness said it will decrease correct? Mr. Hill said I am not with the insurance commission, can't say.

Commissioner Corbett said his concern was that people voted for the tax district because they thought their insurance would go down. He said that he and his neighbors are just outside the five miles.

There was a brief discussion on a six mile rating.

Chairman Maness said if we don't vote there will be no savings correct? Mr. Hill said this has to be approved or there will be no district. This is a requirement of 9S status (five miles), if not approved; everyone goes to 10 according to the general statutes.

Commissioner Corbett said we need to approve this. He said there is no question about the response time, the people deserve it.

Commissioner Knight said I see no problem with approving this and then do the other.

Mr. Hill said every department will be surveyed. He said this is not a threat; I just wanted to let you know that we need to look at maps for other departments as well. We will be coming back. We need accurate maps.

Commissioner Corbett asked if there were fire hydrants outside the fire insurance range would that help the rating? Mr. Hill said no.

Commissioner Knight said we are not being faced with something no one else is are we? Mr. Hill said no.

Commissioner Corbett said my only concern is that when people voted for the fire district, they thought it was an insurance district.

Discussion of Dry Creek Waterline – Mr. Elmer Capel, Jr.

Chairman Maness explained that Mr. Capel appeared in the public forum at the meeting in February regarding his water. Mr. Maness turned the meeting over to Mr. Capel.

Mr. Capel said he hoped the commissioners would address this situation as soon as possible. He said we are way down on the list and we were wondering what is taking so long. He asked the commissioner to address this as an emergency situation. He said there were three wells that were condemned. We want and need fresh water. People can get sick from the water now and this affects our lives. He explained that his dad has high blood pressure and they have a water filter and it is hard for his mother to turn on a dispenser. He said we need someone to step up and get water there.

Mr. Matthews and Mr. Carpenter explained the history of what happen and that a mistake was made when Dry Creek was included because there wasn't any water lines to hook a water line on Dry Creek to.

Mr. Capel said he didn't understand. He said it looks like it would be cheaper to run water where is it flat and sandy instead of rocky and hilly like Little River. Mr. Capel said you shouldn't hit anything but the river. He said the clay/rock vs. sand is like a ratio of 5:1.

Mr. Carpenter said I don't know where you are going with this, but we did our numbers on housing density. He said Dry Creek Road had good sign ups.

Commissioner Bostic said let's move on from the past. What these people need is water. He said I have done everything in my power to work for all citizens, not just black, I worked for Mr. Reece Dennis. We have an obligation to help them. I go home and turn on my spigot and have good water, they don't have that privilege. Mr. Bostic said if there is money in reserve, we need to start thinking about getting Mr. Carpenter to run water down 731 and take care of Dry Creek. We spent \$1.3 million or more, no

prejudice, only two black families benefited, that is the way it looks. Those people needed the water, we ran the lines and I hope they appreciated it. These people need water. The grant was denied, we need to tear the sheet up and move on.

Almetta Armstrong spoke regarding Dry Creek Road and their need for water. She said she appreciates the Board's service to the county. She explained there are health problems associated with their water. She had to purchase a \$4,000 filter and has to buy sand for it and still has to purchase bottled water. She was concerned about the deaths of young people in the community. They died with cancer. She explained that there are a lot of health problems other than cancer such as gallstones and kidney stones. She asked the board to please consider running water to Dry Creek what she refers to as "Montgomery South" She said we have to travel seven miles to take the trash off and seven miles to the post office.

Commissioner Maness said we haven't looked at running new water lines since the budget. Mr. Matthews gave the board the following report from Finance Officer Cathy Baxter:

Montgomery County

Statement of working capital
as of February 29, 2004

		Water System	Water District I	Water District II	Total
Assets					
Current Assets					
	Cash and investments	2,436,446.95	652,026.80	290,735.62	3,379,209.37
Liabilities					
Current liabilities					
	Long-term debt due with in one year	186,944.00	35,500.00	40,000.00	262,444.00
	Accounts payable and current liabilities		-156.16		-156.16
	Total current liabilities				<u>262,287.84</u>
	Working capital				<u>3,116,921.53</u>
	2003 Waterline remaining budget balance				<u>788,240.79</u>
	Funds available				2,328,680.74
	Retain 50% of balance				<u><u>1,164,340.37</u></u>

Commissioner Morris said this grant was not approved, are we going to reapply? Mr. Matthews said yes. Mr. Carpenter said he was surprised the grant request was denied. He said they must have looked at the bonus points. He said we need to tie it in to Economic Development.

Mr. Carpenter said we will be finished with the capital improvement plan around the first of April, and that will give you more points.

Commissioner Bostic said we need to do the original list. Mr. Carpenter said all of the roads the board approved have been done except for Dry Creek.

Chairman Maness said I want to do Dry Creek as bad as anyone. He said when we voted, we agreed to keep politics out of it.

Commissioner Bostic read minutes from the August 20, 2002 work session. "Chairman Blake said if we decide to go with these fourteen roads and if we decide to take a million and add it to the other that was left over, that is leave 1.6 million, he said the only reason I am saying that is we could go ahead and start with this because I don't know where those with bad water are. Rather than delaying the projects, there is still \$600,000 over the million. He said I know nobody wants to do this, but one of the most valuable resources we have is water. Even if we have to we could raise rates, we have pretty inexpensive water. That is a no brainer."

The board briefly discussed this.

Chairman Manes said with the rate study we can look at the price of water and then we can look at many places along with Dry Creek that need water. We need to try to move forward with this. He said the interest rates are so low, we could borrow the money and run water to all of these roads.

Commissioner Bostic said we have enough in reserve to do Dry Creek. It was in the paper, we said we were. We will still leave 2 million. He said I can't sleep knowing we have 2 million in reserve and they have bad water.

Chairman Maness said we could borrow the money because interest rates are low.

There was a discussion about super fund money.

A lady from the Dry Creek community said she is a widow, her husband died a few months ago and she is on a fixed income. She had to borrow the money to purchase a filter system.

A gentleman from the Dry Creek community expressed concerns about his church's water. They have dug four wells. He wanted to know what needs to be done to keep things rolling. He asked if the funds are available?

Chairman Manes said it takes three votes. He said we have the funds in the water budget, we need to look at not only Dry Creek.

Commissioner Morris said she felt the board needs to look into this during budget time.

Commissioner Bostic said we don't need to wait. We need to deal with this now.

Mr. Carpenter said I will be able to give you a report in April based on the CIP and Rate Analysis.

Another lady from Dry Creek (Doris) asked if this was for Dry Creek or the entire area? Mr. Carpenter said the entire area. Commissioner Bostic said they only worked on the Dry Creek Area.

A lady from Dry Creek (Doris) said we won't let you forget about this. We will be here.

Mr. Capel said please consider this an emergency.

Discussion of Wastewater Contract with American Water

Mr. Matthews gave the board the background on the wastewater contract and explained the overtime provision is emergency after hours only. He said if a customer calls and the problem is on their side, the county will be charged, and the county will in turn charge the customer. Mr. Matthews went over other changes in addition to this one.

Chairman Maness asked Mr. Carpenter if there had been any problems. Mr. Carpenter said no, not until this morning when a power truck backed over the line and broke it right where they are building the new bridge on Lilly's Bridge Road. Mr. Carpenter said he contacted Mr. Everette with American Water Services and the responded quickly with a pump and contained the situation. He said other than that, everything has been going good.

Commissioner Corbett asked Mr. Everette if he was aware they are responsible for painting and cleaning around the fire hydrants. Mr. Everette said yes, we have a crew working on that.

Commissioner Morris was concerned about the length of the contract being two years. Chairman Maness and Mr. Carpenter said you can get out of the contract within 30 days if they don't meet the terms of the contract.

Commissioner Morris asked how many people are certified? Mr. Everette said right now only two. We will be adding three additional people when the contract is approved. Commissioner Morris asked Mr. Everette if he is certified? Mr. Everette said not in this state. Mr. Matthews said that is one advantage of American Water they can pull from other places to cover.

The board agreed to carry this forward to the regular session.

Discussion of Meeting Dates for Budget Hearings

The board agreed to the meeting dates Mr. Matthews included in the agenda packets. The dates are April 7, 8, 14, and 15 from 8:30 until noon.

County Manager's Report

Board of Equalization and Review - Mr. Matthews informed the board that Mrs. Maness, Tax Administrator had asked that instead of adjourning the April 14th Board of E&R meeting, to recess it until the first meeting in May.

The board agreed to recess the April 14 meeting of the Board of Equalization and Review until the 6:00 p.m. meeting in May (the first regular meeting)

Water Department at Old Town Hall – Mr. Matthews said only one employee will be moving to the old town hall and he suggested the hours be 8:00 until 12:00 and 1:00 until 4:00. He said that would give her an hour lunch and an hour at the end of the day to get balanced. He said there will be no walk in payments.

Sewer Charges – Mr. Matthews said the issue has come up about those with double lots at Twin Harbor, will they have to pay two sewer bills?

Commissioner Knight asked if these people have tapped on? Mr. Carpenter said the taps are already in. Mr. Matthew said if they connect, there will be a sewer charge. Commissioner Corbett said he thought the board had voted on it before. Mr. Carpenter said that was water, not sewer. Mr. Knight said I don't

agree, if they have a tap, they should pay the minimum. He said if we keep excusing these minimum bills, we will have to raise taxes.

Mr. Matthews said there were no sign-ups for this sewer. Chairman Maness asked that this issue be put on the next agenda.

Commissioner Bostic said when they ran sewer through Brutonville; they put a tap on every possible lot do you think I should pay the minimum?

Commissioner Knight said yes. Do you think the minimum charge all of those people in Mt. Gilead that are paying should be excused?

Chairman Maness said it depends on the situation. Mr. Knight said what we do for one we need to do for all.

Meeting Reminders - Mr. Matthews reminded board members of the meetings on Wednesday, March 10 at Badin.

Copier Contract – Mr. Matthews informed the board that the county has a new copier contract with McRae Office Solutions. It is a service enhancement and will save money. The board agreed to move on with the contract.

Items Carried Forward

The following items were carried forward to the regular session:

- Lake Tillery Fire District Boundary Map
- Wastewater Contract between Montgomery County and American Water

There being no further business, the meeting was adjourned.

William D. Maness, Chairman

Laura B. Morton, Clerk to the Board